Promotions

(Continued from page 1)

Proof that an approach with fewer—but more identifiable—items and sharper pricing can work has already been demonstrated dramatically at Heck's this spring. Heck's ran a promotion last year which used a double-truck ad plus another full page to feature 80 items. This year, the chain ran less space for the same promotion—a double-truck ad only—and featured 25 items. Sales were up 19% from the year before, primarily through use of better items based on past performance, and sharper pricing, according to vp of advertising Lew Soulsby.

"It takes a lot more fight to get an item into an ad now, and more items are turned down," Soulsby said. This year's plan reverses last year's approach of running more items per unit of ad space. Many others in the industry have decided to take a similar approach, including Woolco.

"We are losing a little on the margins," said F. W. Woolworth's vp of advertising Ernest Kaufman, "but I didn't know we had a choice. We are using fewer items and stronger pricing in the strategy for choosing items."

Woolco will emphasize higher-ticket items, including apparel, this year as it ties together the item offerings and advertising themes for a more upscale image. A more image-oriented advertising slogan will be tested in June in some markets via TV ads. Kaufman said items this year will "usually be of higher quality" than items on promotion last year.

In print advertising, Woolco will move to more full-sized circulars instead of tabloids for inserts with more impact. The TV ad budget will have a 20% greater share of total ad spending this year at Woolco as well. The total advertising budget was increased 10% at Woolco this year to put the chain equal with cost increases over the last year, an advantage over some chains whose budgets are being squeezed by cost increases.

Ad budgets are generally up in gross dollars, but not as a per cent of sales, with much of the industry spending 2.5% of sales on advertising. Given that costs are reportedly up an average of 10% from a year ago, promotional efforts are increasingly looking to cost-cutting measures on a per-store basis and more efficiency per item.

Not all of the cost increases must be absorbed, however, since inflation has sent co-op dollar allowances up. Where discounters receive a straight percentage allowance on item cost, they thus pick up the larger allowance for an item formerly $10 which is now $12.

Theme advertising tied in with aggressive pricing is also popular this year. Venture is advertising higher-margin goods in a new program called "Save with style." The approach is multimedia and includes store signing. FedMart has also started a new program featuring a Rediscover FedMart theme and lower everyday prices in selected departments. Magic Mart also intends to become more theme-oriented in its advertising by tying together several categories or departments.

Additional efforts to maximize traffic while minimizing a reduction in gross margin are seen in the spread of discounters offering to match any advertised price by a competitor on a given item. While this is not done by Woolco, some K marts and Murphy's Mart, Magic Mart, Wal-Mart and others have a standing policy to that effect. A spokesman at Murphy's Mart characterized it as a "competitive necessity in today's marketplace." In using this technique, however, chains do not lose gross margin points on *every* unit of a given sku; they give a promotional price only when it is requested by the customer.

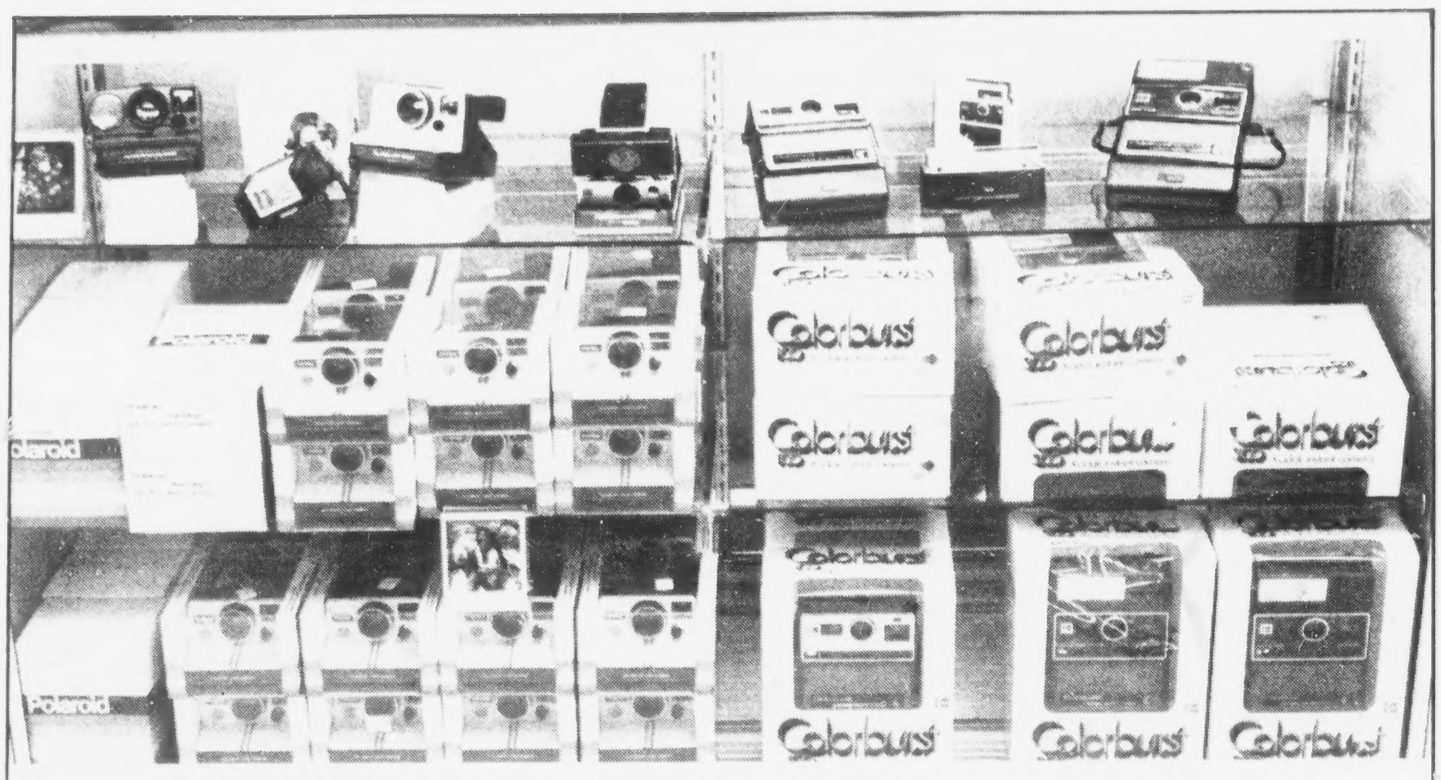
Coupon use remains relatively small in the industry, though at Magic Mart a fall 1980 coupon tabloid had such a good response that the chain has plans to run one quarterly in this year. The chain also has a program of doubling the value of a given manufacturer's coupon on a weekly basis.

Pamida also runs store coupons and occasionally doubles and triples the value of coupon redemption programs. To maximize profit potential in promotions, new items are run at slightly higher margins.

K mart's Focus Seen in Houston

K mart's focus on raising gross margins, even in ads, to boost profits was evident in DSN's market-basket check of the Houston market (see story, p. 3, and chart, p. 12). K mart had the lowest prices fewer times and the highest prices more often than its two discount rivals—Gemco and Target.

In those cases where K mart had higher prices than its rival discounters, the difference ranged to almost $14 in a few instances. Even in most of the cases where K mart was lowest, the price difference wasn't great, so that the lower promotional tag didn't sharply reduce the discounter's gross margin.



Displays Result in Instant Sales

Instant cameras remain promotional favorites, in part because there is little need for demonstrations. This display is from a Venture in Griffith, Ind. *(DSN photo)*

Earnings

(Continued from page 1)

attributed to the effect of LIFO accounting, whether used in both years or first adopted last year. Caldor, for example, had an increase of 126% in its LIFO charge to $2,478,000 in the latest year from only $1,095,000 the year before—11.7% of net income in 1980 from only 5.5% of net income in 1979.

Jamesway, which just adopted LIFO accounting, had an adjustment of $975,000—24.9% of its net income of $3,915,000, on sales of $273,260,000. K mart's LIFO adjustment rose 57% higher than the previous year's, and G. C. Murphy's jumped 24% to $5,312,000 from the previous year's total of $4,277,000.

But LIFO increases are not the whole story. At Caldor, for example, net income rose 7.2% over the preceding year (on a sales increase of more than 18%) in spite of that chain's huge LIFO increase.

Selling, general and administrative costs climbed steeply in 1980, as did interest costs. Gross margins withered under the pressures of increased promotional activity and markdowns.

Charles H. Lytle, chief executive officer of G. C. Murphy, noted that while the 11.8% climb in sales per square foot at his Murphy Marts (to $95.96 from $85.86) indicated a definite gain in market share, the increased advertising and promotion necessary to gain this increase eroded margins. (Lytle also cited heavier than normal markdowns for promotions and clearance during the fourth quarter, especially in winter wearables and electronic games.) Lytle's emphasis in 1981? To maintain that market share gain, while "refining the mix and presentations" to enhance the gross margin performance.

Increased interest expenses at F. W. Woolworth were cited as one major cause of its net earnings decline of 17.4% to $101 million from $122 million the year before, not including equity in F. W. Woolworth & Co. Ltd. of Great Britain. (Operating income fell even more sharply, to $144 million from $227 million, or 36.9%.) Interest expenses totaled $145 million, up $29 million (25.8%) from $116 million a year earlier.

Operating income at Venture jumped to $12 million, (2.1% of sales), on volume of $561 million. But that chain still does not produce operating income for parent May Department Stores in proportion to its sales contribution. Venture's sales of $561 million constituted 17.8% of the parent corporation's sales, while the $12 million operating income figure is just 4.6% of the total operating income (from retail operations) of $262 million.

Venture seems to be on the right track, with sales almost keeping pace with inflation, and operating income (admittedly from a very small base) rising an impressive 50%. But trouble may be brewing at the parent corporation, where corporate expenses have risen $4 million a year for each of the last two years, to $21 million in 1980, and where the return on equity is creeping downward—14.5% after three consecutive years near the 15.5% level. Operating incomes had been increasing every year at May Department Stores—by smaller and smaller margins—but declined slightly in 1980, from $264 million to $262 million. As a percentage of sales, the parent company's operating income has been declining for years, from more than 9% in 1977 to 8.3% of sales in 1980.

While a great number of unanticipated or higher-than-anticipated costs are cited by discounters explaining 1980 earnings declines (costs of closing a distribution center, by G. C. Murphy; currency fluctuations by F. W. Woolworth; "a tough year" by everyone), it's clear that the major problem is the shrinking spread between gross margins and operating costs. Which strategy results in the best earnings improvements as chains struggle to restore and maintain the spread will be the major retailing story in 1981.

Mays Finally Invades Scarsdale, For 15 Million Good Reasons

SCARSDALE, N.Y.—J. W. Mays has at least 15 million reasons for opening in an ex-Korvettes in this Westchester County market just north of New York City.

The Korvettes had hit $20 million in sales in its heyday and was doing between $10 million and $15 million before the chain closed down.

Mays is expected to be able to reach the $15 million sales rate and eventually pass Korvettes' best figure, according to trade observers.

Mays has wanted to open in the Scarsdale area for a number of years, an executive acknowledged. But the chain watched as first Alexander's and then Caldor went into the market into units closed by S. Klein and then Great Eastern.

Mays and the other two discounters are within a two-mile radius of each other on Route 100, a main shopping strip, with Alexander's and Caldor closer to Yonkers while Mays is nearer to higher-income Scarsdale.

The discounter obtained the Korvettes site from the landlord who had regained it from Korvettes and was able to come to terms with Mays after protracted negotiations between the two discounters got nowhere.

Mays held down its refurbishing [illegible] by recycling many of the Korvettes fixtures, maintaining [illegible] layout of the tile and carpeted areas used by Korvettes, and going with a simple decor.

The new store was being played up by Mays in newspaper ads, which proclaimed: "Now We Are 9."

The discounter's ad budget in the New York *News*, its main ad vehicle, is about $10 million, a figure that will now cover three stores in New York City, four stores on suburban Long Island, and one each in Westchester and Dutchess Counties north of the city.

Mays

(Continued from page 3)

The sku's dropped, he said, included a small-size toothpaste, the low-end lead-in to apparel, and duplicate items such as the secondary color or trim of a girl's best-selling dress.

The larger Mays stores, he added, have the space for an expanded assortment, and hopefully the extra items produce additional sales and profits.

Mays uses an eight-digit sku number to track about 85% merchandise—including all [illegible]s—so the discounter can quickly pounce on a hot item that's part of its "plus" assortment and feed it to stores that have just the basic mix, he noted.

The discounter, in recycling the ex-Korvettes, used white throughout the store so that the decor doesn't detract from the merchandise, the executive said. The one-color scheme also reduced the cost of maintenance by avoiding the need to repaint an area if a department is moved.

Pet Food

(Continued from page 3)

wake of planogramming its new 12- to 16-ft. snack food department, even offers farm-fresh eggs in three stores.

Coordinated last July, the department is located up-front in all stores and is slated for all new stores.

"It may sound crazy," the buyer said, but weekly sales are running 375% ahead of same-period figures a year ago.

Thanks go to a new ordering system that lets store managers order from Jamesway's distribution center.

While the chain has carried food on a hit-or-miss basis for several years, 95% of the buying is now coordinated through the Secaucus, N.J., home office. The average margin in snack foods ranges between 15% and 28%, the buyer added.

The planogrammed department is adaptable to stocking goods for two seasons: winter (soups, in addition to cake mixes, crackers and other basics) and summer (which highlights barbecue and picnic products), merchandised in one area instead of variously located cut-packs.

Some store managers have used their discretionary 5% buying power to expand the department (to as much as 32 ft.) with locally bought items used for traffic.

One of the three stores to carry fresh eggs, for example, reports only a few cents profit per dozen, but sales of 275 dozen per week when merchandised with English muffins just inside the front door.

Mass Merchants Failing to Keep Pace With Growth of H&BA Market: Nielsen

Discounters report H&BA sales increased in 1980 over 1979, but as the research by A. C. Nielsen Co. here shows, mass merchants (discounters, Sears, J. C. Penney, Montgomery Ward and other department stores) have not kept pace with the market's growth.

Since discounters' sales are increasing, however, the figures also suggest that the Big Three and other department stores are losing H&BA market share to discounters, supermarkets and drug stores.

In terms of percentage of consumer dollars spent, mass merchants wound up 1980 with a 2% increase (from a 14.7% to a 15.0% share) in feminine douches, steady performances in deodorants and disposable diapers, and decreases in the remaining classifications.

Foot remedies and bath additives were off 9.1%.

Those two largest decreases were not dramatic in light of discounters' general success in H&BA, but may suggest that while discounters emphasize up-and-coming categories like consumables and accessories, they are complacent about the H&BA business.

Food retailers are making a heavy commitment to the category, and pulled a share of 49.7%, up from 49.2%, to keep the lead market slice. Drug retailers held their own at 36.0%, equal to last year's level. Mass merchants dropped from 14.8% to 14.3%.

Mass Merchants' Percentage of Consumer Dollars Spent

Category	1979	1980	% Change
1 Feminine douches	14.7	15.0	+ 2.0
2 Deodorants	17.7	17.7	0.0
3 Disposable diapers	11.1	11.1	0.0
4 Sanitary protection	12.0	11.9	−0.8
5 Sinus headache remedies	8.9	8.8	−1.1
6 Dentifrices	14.4	14.2	−1.4
7 Hair coloring	21.5	21.2	−1.4
8 Face creams	16.1	15.8	−1.9
9 Razor blades	17.4	17.0	−2.3
10 Topical antiseptics	11.3	11.0	−2.7
11 After-shampoo products	18.0	17.5	−2.8
12 After-shave lotion and cologne	25.1	24.3	−3.2
13 Aerosol shave creams	17.3	16.7	−3.5
14 Shampoos	18.1	17.4	−3.9
15 Hair fixatives	19.8	19.0	−4.0
16 Hair preparations	16.2	15.5	−4.3
17 Stomach remedies	9.0	8.5	−5.6
18 Oral antiseptics	17.1	16.1	−5.8
19 Vitamins	8.5	8.0	−5.8
20 Headache remedies	9.9	9.3	−6.1
21 Home permanents	26.2	24.4	−6.9
22 Hand lotions	17.3	15.9	−8.1
23 Cold tablets	9.8	9.0	−8.2
24 Foot remedies	9.9	9.0	−9.1
25 Bath additives	17.5	15.9	−9.1
Total 25 H&BA's	14.8	14.3	−3.4

Source: A. C. Nielsen Co.

Create Stir At Home Center Show

Buyers to Expand Ceiling Fans, Auxiliary Heaters

CHICAGO—Ceiling fans and auxiliary heaters generated much of the excitement at the recent Home Center show here, but a lack of new product and poor attendance were cited as drawbacks.

Most discounters expect to have a banner year with the ceiling fans, which may have been the largest growth category of goods at the show.

At Heck's, buyer Jim Myles said that the chain tried ceiling fans in selected stores last spring and will go with two models chainwide this year, a promotional model and a step-up.

At Murphy's Mart, a buyer reported that the chain will be going with some new fans for the year. "We came to the decision that the lowest ticket may not be the best," he said. As a result, Murphy's Mart will be running two models chainwide and testing a third.

At T.G. & Y., meanwhile, a program of six sku's will be run this year in what buyer Dan McCormick described as his "biggest growth category" in hardware. T.G. & Y. did not send representatives to the Home Center show, but has ordered the fans direct from the Orient. At the low end, the promotional model will run near $58. The top-of-the-line fan will run about $198.

Auxiliary heaters were also abundant at the show, both quartz and kerosene particularly, and many discounters will be running them as traffic draws in their fall merchandising programs. Murphy's Mart will run a trade-up kerosene heater for the first time next fall to add to a basic model run last year, and a buyer at ALCO reported that he will run with a kerosene heater for the first time next fall.

A lack of new product was one major complaint about the show. "We were looking hard for something new for fall, but we didn't find anything," noted a buyer from Heck's. As a result, much of his fall program will probably remain the same. For example, he plans to stay away from solid-state tools being introduced by Black &

(Continued on page 11)

Color Sets Seen Growth Area in Bullish TV Picture

Special DSN TV Report

The outlook for television sales appears good for the remainder of 1981. Black-and-white sales are holding steady, but color sets offer the prospect of particularly strong growth.

Discounters such as Murphy's Mart, Roses and Heck's had sales increases averaging 18% last year. Executives predicted that despite the continuing economic slump, equally sizable boosts could be expected this year.

The key to improving sales will be increased promotional activity in the area of 5- and 7-in. black-and-white sets, and 13- and 19-in. color portables.

Roses, for example, will increase its promotions from monthly to once every 10 days. Danners (3D) will soon more than double its promotions, increasing them from six to 14 tabs per year.

Spurring the growth in color, report buyers for a number of discounters, are the increasing sales of video cassette recorders, disc systems and home video games.

"People are spending a lot of money in the specialty stores for home video equipment and are then coming to us for a new TV set to use it with," explained Murphy's Mart buyer Frank Remaley. "We're expecting even better television sales now that the disc systems are out."

It was the increasing sales strength of color portables that caused Murphy's Mart to double its assortment from two to four sku's last year, and rack up a 15% sales increase.

The chain enlarged its selection by adding two Magnavox offerings to the 13- and 19-in. imports it has always carried. Remaley said the chain is considering expanding its selection to six later this year, with the addition of two remote-controlled portables.

(Continued on page 7)

Increased promotional activity is a key to increasing television sales. This Bordentown, N.J., Jefferson led off its department with 24-in. consoles, on sale. *(DSN photo)*

FTC Finds Practice Has Generally Been Abandoned

Probe of Restrictive Shopping-Center Leases Ends

WASHINGTON—The Federal Trade Commission has closed down its investigation of restrictive leases that allegedly blocked discounters and other retailers from opening in certain shopping centers.

The commission, finding that larger stores in shopping centers have generally abandoned the practice of restrictive leases, ended the investigation that covered 113 shopping center developers, major tenants, discounters and smaller tenants.

The primary purpose of the survey was to monitor industry compliance with the 1975 FTC decision banning leases that enabled major tenants (mainly large department stores) from blocking other retailers from opening in shopping centers or dictating their locations. The agency noted that such practices may be used to restrict discounters or other retailers who might compete with the large department stores by offering lower prices.

The 1975 FTC decision involved the Tysons Corner regional shopping center in northern Virginia. That decision held that lease agreements between developers and major tenant department stores, giving them the right to vote or determine the entry of other retailers within the center, were illegal.

The commission was particularly concerned that major tenants and developers not be allowed to jointly prevent or inhibit discount stores or similar retailers from entering shopping centers.

The latest survey also looked for lease restrictions not considered in the Tysons Corner decision, such as developer-imposed clauses dictating a tenant's price range. Such restrictions, the commission said, could inhibit price competition. But, in general, no such significant violations were found.

Also examined were exclusive contracts that allow a tenant to be the only one of its type in a shopping center, thus limiting competition.

The commission concluded after its latest investigation that "as a general matter, it does not appear that discounters are being unfairly denied access to shopping centers, either as a result of pressure by major tenants or because of the independent leasing policies of developers."

Although the industrywide investigation has been closed, the commission stated that the staff will continue to scrutinize shopping center lease restrictions on a case-by-case basis.

In This Issue...

UN-COOPERATIVE? Consumer activist Ralph Nader told a Merchants Buying Syndicate show that consumer cooperatives would flourish in the general merchandise area (story, p. 16). DSN's editor Doug Stinson throws cold water on the idea, claiming that consumers would do better shopping at discount stores. (P. 6)

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Vol. 20, No. 8 April 20, 1981

Chicago-Based CPA Firm Advises:

Tax Planning Techniques Can Produce Ready Cash

Companies experiencing cash flow and profitability problems can use a number of tax planning techniques to produce ready cash.

"In many cases, the Internal Revenue Service can help with refunds and extensions of payment due dates," said Thomas C. Parsons, national director of tax practice for Alexander Grant & Co., a Chicago-based certified public accounting firm.

"Considering current high interest rates, any return of money can represent a critical source of cash for the corporation."

Specific suggestions offered by Parsons, for firms combatting the problems presented by the sluggish economy, include:

- Filing a form 4466 with the IRS, to receive a quick refund of overpayments on estimated taxes—maybe within 45 days. The application must be filed after year-end, but prior to either the time for filing the return, or the 15th day of the third month after year-end. The refund must be at least 10% of the total expected tax, and at least $500.
- Filing a form 1138 (by a firm expecting a net operating loss for the current year) for an extension of time on tax payment. The amount of tax postponed may not exceed the amount of refund expected to result from carrying back the net operating loss. The extension period ends on the last day of the month in which the return for the loss year is due, or upon grant or denial of the carryback refund request. A refund grant resulting from the carryback will be used to offset taxes due, and the interest on the deferred payment is 12%.
- Filing of a form 1139 will usually result in a refund of tax resulting from a net operating loss, capital loss or investment or jobs credit carryback within 90 days. Undue delay in filing 1139 should be avoided, so file it as soon as the tax return is filed.
- Adjustment of estimated tax payments (when calendar 1981 profits and taxable income are expected to decrease) can improve cash flow. Estimated tax payments should be based on a carefully prepared estimate of actual expected tax liability. If payments equal 80% of the actual liability, no underpayment penalty is incurred.

(Exception Three—tax on annualized income—should also be kept in mind for avoiding an underpayment penalty. This exception provides that no penalty will be imposed if the estimated tax paid is equal to at least 80% of the tax that would be due if the tax was figured on annualized taxable income in the months preceding installment dates. The rules for annualization are very liberal. Companies should be aware, too, that new rules become effective this year for those having taxable income of $1 million or more in any of the three preceding years. The Revenue Adjustments Act of 1980 provides that any corporation having $1 million or more of taxable income in any of the three years prior to taxable years beginning after 1980 must make estimated tax payments totaling *60 per cent* of current year liability to avoid underpayment penalties.)

- In years of unusually low taxable income or unusually large tax credits, the minimum tax on items of tax preference could result in additional tax liability. (Items of tax preference include accelerated depreciation on real property and leased personal property, amortization of certified pollution control facilities, and the portion of long-term capital gains obtaining the preferential rate under the alternative tax computation.)

An exclusion from the amount of preference items subject to the minimum tax is allowed in an amount equal to the greater of $10,000 or the amount of tax due. To the extent that tax preference items exist during a year of low taxable income or large tax credits, a minimum tax liability could result. Plans should be made to minimize recognition of tax preference items, or when appropriate to delay acquisition of investment tax credit property.

- Where a loss or net operating loss carryback situation is involved, companies should remember that a net operating loss carried back to an earlier year could result in an imposition of the minimum tax in that year. In some cases, it may be better to elect to forego the carryback, and to carry the loss forward. Where net operating losses are in danger of expiring, corporations should plan to accelerate the income and defer deductions. For example, forego using the installment method of reporting installment sales. Switch from accelerated to straight-line depreciation. This can be done without IRS permission.

If an operating loss is expected for the current year, recognition of long-term capital gains could be deferred to avoid loss of the full tax benefit of the loss.

Sears

(Continued from page 1)

would also continue to probe ways to reduce the cost of doing business.

Two years ago, Sears abandoned a similar plan for one which concentrated solely on cost-cutting and stabilization of its traditional customer base, which had begun to erode in the mid-60's with the onslaught of discounters. At that time, Sears chose to strengthen its bottom line.

Sears joined the long line of retailers that experienced profit losses during 1980, partly due to the recession. Its sales inched up a mere 0.2% to $16.9 billion, while net income nosedived 43.1% to $208.6 million vs. 1979. Earnings were 1.3% of sales, half the level expected in a discount store operation, with expense levels comparable to those found in department stores.

Sears' fourth quarter, however, did offer a sign of better times to come. Compared to the same quarter of fiscal 1979, net earnings jumped 23.9% to $161.7 million, on a sales gain of 3% to $5.029 billion.

February's sales rose 6.9% to $1.192 billion, the best record posted by the chain in the last two and one-half years.

Edward Telling, corporate chairman and chief executive officer, attributed the fourth-quarter successes to the retailer's organizational and operational changes "that will form the underpinnings for the resumption of growth."

The most vital part of the changes came with the appointment of Edward Brennan as chairman and chief executive officer of the merchandising group early last year. Under this new title, Brennan reports to Telling, a move corporate management hopes will heighten its responsiveness to the needs of the retailing portion of the organization.

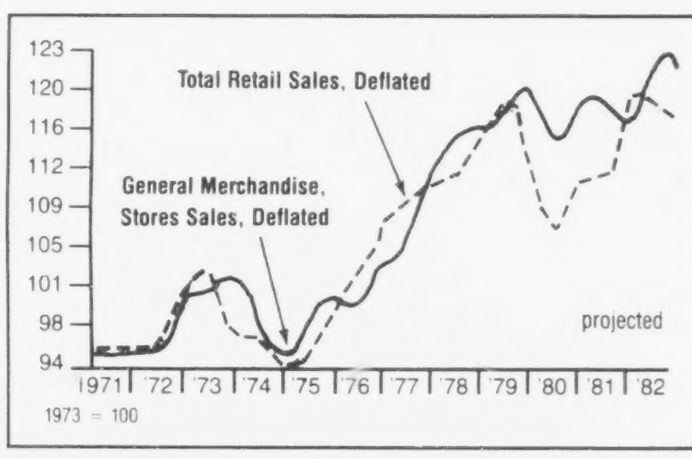
The new strategy includes the building of a merchandise mix which positions Sears in a more competitive stance, and is also geared toward improving sales. Jones cited the addition of a 50-in. projection television set, selling for around $3,000, and the introduction of the Cheryl Tiegs sportswear line as examples of the route Sears is taking to heighten its appeal.

The chain will continue to improve its major appliance, home improvement and women's apparel mix.

Sears has abandoned its old theme "Sears—Where America Shops" in exchange for "You Can Depend On Sears." This shifts the emphasis to service—one marketing aspect that gives Sears an edge over its discount competition. Institutional and television advertising budgets have been expanded under the new merchandising strategy.

L/F Econocycle

See GM/Discounters Gaining in 2nd Qtr.



General Merchandise/Discount

	Sales Change By Quarter '80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81* 1Q %	'81* 2Q %	'81* 3Q %	'81* 4Q %	12-Month % Change 1979 %	1980 %	1981 %
Sales include Inflation	8.9	4.8	4.4	5.7	8.1	10.6	8.9	5.7	9	6	8
Real sales (Deflated)*	1.7	−2.4	−3.3	−2.1	1.5	4.3	2.9	−0.5	3	−2	2

Base = Dec. 1980 Sales
*Projected

Now that all final 1980 figures and preliminary '81 sales have been fed into the L/F Econocycle model, this month's forecast projects a strong second-quarter surge in discount/general merchandise stores—reflecting a major improvement over last month's forecast.

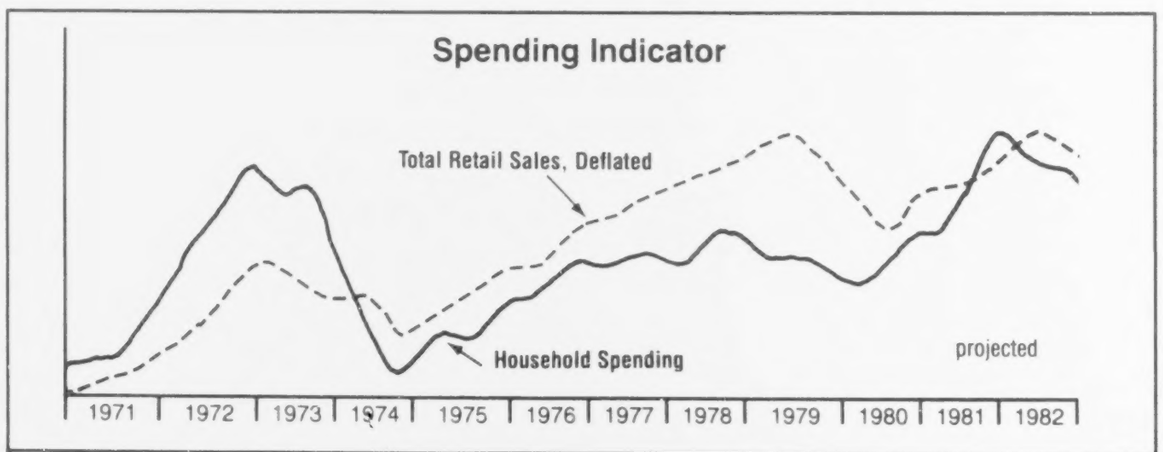
With final December figures in place, real sales for GM/Discounters should move ahead by 4% for the second period (chart above).

Overall, general merchandisers and discounters continue to show good gains vs. total retail activity and are expected to match the strength now evident in general retailing through the third period, at least.

Total retail sales are poised for an ongoing rise through the next two quarters (charts below), with real gains averaging about 5%, heading for a year-round gain of 3%.

The L/F Econocycle projection also hints at a possible decline or at least an easing of total retail gains in the fourth quarter, however. Based on the L/F composite, which has historically been a volatile indicator of major upward or downward shifts in sales direction, this trend should be closely watched by all sectors of retailing as the year matures.

- In other retail sectors, the outlook is mixed. Home center/building supply/hardware retailers are projected for a strong second-quarter surge with the pickup in spring construction.
- General merchandise/apparel and furniture stores are heading for a 2% second-quarter gain, led primarily by apparel specialists, now programmed for a solid real sales increase of 3+%.
- The pacesetter for all retailing continues to be drug store operators, forecasting a real '81 gain of 4%.



Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	8.9	10.5	8.6	7.6	12.0	9.3	5.7	8.9	8.2
	2Q	−1.6	10.0	7.9	−8.9	10.9	1.4	6.5	4.8	4.5
	3Q	2.9	11.6	7.4	−9.2	10.1	−0.4	4.9	4.4	3.4
	4Q	7.0	10.4	6.6	−2.2	14.5	4.9	6.7	5.7	5.7
1981	1Q*	7.3	9.4	7.6	3.0	11.4	7.5	7.0	8.1	7.7
	2Q*	14.6	9.2	10.8	15.0	11.9	14.7	8.1	10.6	10.9
	3Q*	10.4	9.7	13.3	5.8	12.0	13.3	8.6	8.9	9.7
	4Q*	9.9	7.8	10.5	−3.1	8.4	12.4	8.5	5.7	7.6
% change 12 mos.	1979	12.0	11.0	9.0	14.0	9.0	14.0	9.0	9.0	10.0
	1980	4.0	10.0	7.0	−3.0	11.0	3.0	6.0	6.0	5.0
	1981*	10.0	8.0	10.0	3.0	10.0	11.0	8.0	8.0	7.0

Real Sales (Deflated)*
% Change By Quarter

1980	1Q	−1.7	5.3	−1.5	−2.1	3.9	3.8	1.0	1.7	2.0
	2Q	−11.0	4.6	−1.4	−17.8	1.8	−4.4	2.3	−2.4	−1.8
	3Q	−6.9	2.3	−1.7	−18.3	0.4	−7.1	0.4	−3.3	−3.3
	4Q	−3.1	−0.8	−2.3	−11.2	4.3	−1.3	1.8	−2.1	−1.1
1981	1Q*	−1.1	−3.1	−0.3	−4.1	2.5	−2.4	3.3	1.5	2.1
	2Q*	6.7	−3.7	2.4	8.7	4.8	9.5	3.5	4.3	5.2
	3Q*	4.3	−1.4	4.7	−0.5	6.7	8.5	4.1	2.9	4.3
	4Q*	5.0	1.8	2.9	−9.4	4.7	7.1	4.7	−0.5	2.2
% change 12 mos.	1979	2.0	1.0	−2.0	5.0	2.0	8.0	6.0	3.0	4.0
	1980	−6.0	3.0	−2.0	−12.0	2.0	−2.0	1.0	−2.0	−1.0
	1981	3.0	−1.0	2.0	−2.0	4.0	6.0	4.0	2.0	2.0

Base = Dec. 1980 Sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

Consolidation of Catalog Coordinators Possible As Members Play Musical Chairs: Pp. 3, 26

Discount Store News®

THE NEWSPAPER OF THE DISCOUNT DEPARTMENT STORE INDUSTRY

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Woolco Girds For Ambitious Overhauling

By Iris Rosenberg

NEW YORK—Now it's Woolco's turn.

With the overhauling of its other retail holdings mostly completed, parent company F. W. Woolworth is turning its undivided attention to its discount operation, Woolco, leading off with the creation of a new top management spot: general manager, U.S. Woolco.

Among the end results planned: a new look to chain advertising; a new store layout and decor package; a significantly altered merchandise mix; computerized replenishment and item tracking.

To prepare for the considerable work ahead—which the industry's second largest chain, with sales of over $3 billion, hopes will immediately help boost sales per square foot from $80 to $100, still below the industry average—top management has reorganized the chain of command at U.S. Woolworth/Woolco and given the newly created post of general manager U.S. Woolco to John E. Parker.

Parker, a 40-year-old Woolco veteran who is now also a senior vp of Woolworth, most recently served the company as a regional vice president in Atlanta. As general manager he will report directly to George W. Nelson, president, U.S. Woolworth/Woolco.

(Parker's counterpart on the variety store side is Charles L. Kline, formerly senior vice president and general manager, U.S. Woolworth/Woolco.)

The realignment, which has left the top management structure mirroring the management hierarchy in the field where two senior divisional managers—one with Woolco the other with Woolworth—report to a regional vice president, is not exactly a new one. In the mid-70's, the chain reorganized itself and merged the then separately run variety store and discount divisions into a single organization. Now the chain will reorient the operations side of the business's chain of command: Woolco operations people will report to Parker, and Woolworth people to Kline.

"We have not created two separate divisions," Parker ex-

(Continued on page 22)

New General Manager Post to Parker

NEW YORK—Soft-spoken, sandy-haired John E. Parker is one of the youngest executives to ever hold a senior position at Woolworth/Woolco. But at 40, after being named to the newly created position of general manager, U.S. Woolco, Parker is a 22-year veteran of the chain.

His arrival at New York headquarters in November 1980—and the subsequent Woolworth-Woolco management reorganization—is yet another sign that F. W. Woolworth is deeply committed to an extensive reworking of its discount division. (Last year, the company jettisoned more

(Continued on page 22)

John E. Parker
General Manager, U.S. Woolco

Young Meijer Square Tests Discount, Nonfood Format

BAY CITY, Mich.—Using a hypermarket approach to cram its parent's nonfood mix into a 65,000-sq.-ft. selling space, Meijer Square—the discounter hybrid being teased into a chain by Meijer's Thrifty Acres—made its second bow in this small Great Lakes town 20 miles north of Saginaw.

This discounter format will be the one the parent supermarket/discount chain will use later this year when it makes its first move out of its home state and into Ohio to begin converting the 14 Twin Fair stores it bought from that troubled New York chain earlier this year for a reported $17 million.

Still, the move will be a big gamble for the chain. Not only is the discount format new, and the size of the Twin Fair stores smaller than the Thrifty Acres, but the chain is going into Ohio with only two tests of a broad-assortment, big-ticket (hard lines) mix under its belt. In addition, the tests, here and in a year-old unit in Kalamazoo—are in towns where the Meijer's Thrifty Acres stores are already a dominant force in the market.

(Although only one of the 14 takeover units is currently slated to become a Thrifty Acres, one source said the company would pair the two operations in future new market ventures. Headquarters personnel refused to comment.)

At a time when unemployment is at record levels in this part of the country, the chain is moving into Ohio, the state with the highest discount store count of any in the country. And where Meijer has competed primarily against K mart and its heavily private label program, it will be going up against Rink's, Ontario, Gold Circle, Hills, Harts and Swallen's in

(Continued on page 4)

Meijer Square, the new discount chain of Meijer's Thrifty Acres, packs parent's high-ticket, broad-mix (hard lines) mix into smaller, more productive but equally high-profiled stores. *(DSN photo)*

Ward Conversions Are Put on Hold By Prexy Pistner

CHICAGO—Stephen L. Pistner has called time out.

The move came as no surprise to industry watchers and analysts that Pistner, Montgomery Ward's new president and chief operating officer, has decided to indefinitely postpone the conversion program slated to transform 114 Ward stores to the discount Jefferson/Ward format by 1983. The conversion plan was first announced last August.

Most believed that the move was a logical one for an incoming president and ceo to take, adding that Pistner most likely wished to forge a more comprehensive strategy involving all phases of the Ward's operation.

The company announced that Pistner and Edward S. Donnell, chairman and chief executive officer, had called the halt in order to "go through a period of reassessment of the entire company."

Pistner took over Ward's top position in February, departing from Dayton Hudson as chief operating officer and president.

Observers expect the conversion program to continue once more if the operating wrinkles are ironed out at Ward's headquarters by Pistner and Donnell who have begun a detailed strategic planning process. The conversion is viewed by many as the only route Ward can take to correct its flagging profit performance and to regain the market share that has been slowly eroded by discounters as well as Sears and J. C. Penney.

However, few agreed on the steps Pistner will take after the conversion is completed.

Given Pistner's track record

(Continued on page 25)

Danners Bullish as Co-op $$ Fuel Big Ad Surge

INDIANAPOLIS—Danners (3D) is looking to increase chain volume 30% this year in a grab for market share, primarily through a revamped tabloid advertising program funded with cooperative dollars.

To minimize impact on gross margins, reductions in the number of items run will probably be effected later in the year after market share gains have been firmly established.

To get the year off to a hot start, however, frequency in the chain's preprint ad program is up 47% from the scheduled frequency midway through last year, in an advertising budget that has been upped more than 30%. Tabloids themselves are commonly up 50% in page numbers, featuring more items weekly, and use of four-color has been increased.

The most outstanding feature of Danners' heftier advertising budget is that it is largely fueled through manufacturer co-op dollars.

"We are now in the second year of going to national shows with a video presentation we have put together," said Danners' director of sales promotion Don Burrell. "We sit down with manufacturers and show them what type of program we would like to run with their product. It has worked out well. We had co-op dollars before, but we never aggressively tried to go get them."

Pursuit of co-op allowances from manufacturers has allowed Danners to climb from having 17% of its 1979 ad budget funded by co-op dollars to its goal of having 25% of the total funded this year.

In addition, some of the 10% general increases in costs which are pinching budgets industrywide are absorbed at Danners because as the chain has increased circulation of its tabloids, lower press run-on costs make each additional pre-

(Continued on page 7)

Chains Hatch Stores, Refine Merchandising Ploys

K mart's Price Stance Gets More Competitive as No. 2,000 Bows

KEARNY, N.J.—As the 2,000th K mart quietly opened here at press-time, the chain made known its intention to maintain its low-price image by stepping up price checking, and matching, of competition.

While no major publicity effort accompanied the opening, the 84,000-sq.-ft. store itself made news through further refinement of the upgraded fashion presentation that K mart first tested about 25 miles away in Lodi, N.J. The fashion format is now used in approximately 30 stores, including about 20 opened so far this year, although not in the smaller K marts, a company representative said. Lack of space for the more open presentation is believed to be the reason.

But it wasn't the new fixturing that was shaking up the competition.

It was the determination of merchandisers in this store and in neighboring New Jersey units to make sure that K mart could meet—if not beat—its competitors' prices on recognized name brand goods.

Trade observers speculated that this effort denoted K mart's thrust to strengthen its discount image by sharply pricing name brand goods—particularly hard lines—and relying on soft goods, private label, offbrand and unbranded items to generate higher gross margins.

One K mart store source said that the discounter would meet competitors'

(Continued on page 4)

K mart's upgraded ladies' wear section now uses 6½-ft.-high units to hold coats and long dresses. Fixtures are shown in new Kearny, N.J., store. They were added to Lodi, N.J., store, which tested the upgraded look. *(DSN photo)*

Western Wear Shop Is Inaugurated, Ceiling Fans Bloom at Wal-Mart

HOUSE SPRINGS, Mo.—The latest store in the Wal-Mart lineup, which opened here last month, follows the chain's familiar prototype designed for smaller stores in rural markets, except that electronics was moved up front, and new ceiling fan displays and a western wear shop were added.

The electronics department was repositioned from its center back-wall adjacency to the front in the lefthand corner to give it more visibility and reduce shrinkage. The department is now placed off the major traffic aisle that winds past the checkout registers and customer assistance booth, and leads to the entrance of the garden shop.

Other changes were focused on merchandising techniques, geared toward making a stronger play for the customer in this particular market, or to make a stronger statement in certain categories. For instance, the store included a men's and boys' western wear shop, featuring wooden cubes stacked with Wrangler jeans and dressed with cowboy hats and boots.

The store highlighted ceiling fans, a "red-hot" item for Wal-Mart, according to one store manager, with a POS information sign that spelled out the models' differences in price, style and features. A display model for each of the fans hung above the aisle. One Wal-Mart executive reported that the chain had been able to lower the prices while offering an upscaled mix.

(Continued on page 5)

Wal-Mart's new store in House Springs, Mo., is one of the first in the chain to corral western-cut jeans, boots and cowboy hats into a western wear shop in men's and boys' wear. *(DSN photo)*

Smaller Caldor Shaves All But Five Key Departments

TAUNTON, Mass.—The sales and profit productivity of housewares, hardware, radio and TV, gifts and domestics are so important that they are the only departments whose square footage remained intact when Caldor moved into a renovated ex-W. T. Grant store last month.

Other departments were cut back equally in area (not sku's), as the store, at 75,000 sq. ft., is smaller than most Caldors.

The adjacencies of housewares and major appliances were reversed to put housewares next to gifts, where tie-in sales are emphasized.

Planning focused on facing more goods on main aisles and optimizing available space. This included branching a feature aisle into women's wear, and painting far walls a darker color to bring goods visually closer to traffic aisles.

Most visible at this 69th Caldor, located in a shopping plaza between Providence, R.I., and Boston, is a new facade. It is designed to make the chain easily recognized as it solidifies its recent entry into the market between its Connecticut base and Massachusetts, where it now operates 16 stores.

First used in the South Worcester, Mass., store, finished two weeks earlier and also a Grant's takeover, the design will be part of all new stores.

Notably *not* visible at the newest store are brand name soft lines.

Amid speculation that Caldor could soon offer more branded soft goods with the help of new parent Associated Dry Goods, a chain spokesman observed that even with that possibility, such merchandise probably would not be introduced because it would dictate retails too high for Caldor.

Upscaled housewares decor, a feature in new stores since its debut in the chain's flagship renovation last year, is in evidence here: brick-look flooring, natural wood cube merchandisers and chrome pot hangers suspended overhead. The groupings surround a lifestyle vignette featuring home furnishings and decorative housewares. All appliance shelves are carpeted.

The adjacent gift department is carpeted and composed of islands which act as mini-boutiques. The length of the counters has been cut in half to

(Continued on page 5)

A new feature aisle branched off the main thoroughfare at the Taunton, Mass., Caldor to cut a clear path to more traffic in women's wear. More aisles also mean more goods can face aisles. *(DSN photo)*

In This Issue...

SCAN THIS. DSN introduces a new, regular feature: ADSCAN. It lists prices recently advertised by discounters, on 60 brand name items. (P. 7)

END GAME. Hep discounters are using high- and low-end goods to capitalize on the fast-moving hair notions market. (P. 7)

ADDING SPICE. New items helped move housewares in 1980, giving an assist to basics. (P. 14)

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HOUSEWARES

These housewares figures, for calendar 1980, were supplied by Myron Nickman Distributors, a division of Cook United, Maple Heights, Ohio, and cover 900 stores, including 125 discount stores in the Midwest. Average retail prices reflect typical price points for discount store clients.

Curr. $ Rank	Prev. $ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
TABLETOP					
1	1	Expressions 20-pc set, Wildflower	4,834	52.65	254,510.10
2	5	Expressions 20-pc set, Indian Summer	4,414	52.02	229,616.28
3	2	Corelle 20-pc set, gold	7,140	31.00	221,340.00
4	4	Corelle 20-pc set, Woodland	6,450	30.86	199,047.00
5	3	Corelle 20-pc set, green	6,394	31.05	198,533.70
6	7	Expressions 20-pc set, Meadow	3,772	52.49	197,992.28
7	6	Corelle 20-pc set, blue	5,422	30.52	165,479.44
8	8	Corelle 20-pc set, white	5,568	28.95	161,193.60
9	—	Expressions 20-pc set, Batik	1,785	52.53	93,766.05
10	14	Corelle completer set, Woodland	2,195	15.53	34,088.35
11	10	Corelle completer set, gold	1,944	15.78	30,676.32
12	—	Expressions 20-pc set, Strawberry	596	50.41	30,044.36
13	—	Corelle 5-pc complete set, white	1,876	14.76	27,689.76
14	12	Corelle completer set, green	1,682	15.50	26,071.00
GLASSWARE					
1	1	Anchor Hocking 24-pc set, Nwprt gld	6,798	7.83	53,228.34
2	4	Anchor Hocking 24-pc set, Nwprt crstl	3,281	7.87	25,821.47
3	—	Anchor Hocking 5-oz jc, Th Tgh Ons	11,232	1.50	16,848.00
4	2	Libbey 6½-oz tall wine, Citation, 4-pk	4,074	3.99	16,255.26
5	5	Libbey 10-oz goblet, Citation 4-pk	3,768	4.00	15,072.00
6	3	Libbey 6½-oz red wine, Citation, 4-pk	3,504	3.99	13,980.96
7	14	Libbey 2-gal crystal milk bottle	748	1.23	9,200.40
8	12	Libbey 6½-oz sherbet, Citation, 4-pk	2,214	3.99	8,833.86
9	—	Libbey 12-oz pilsner, Citation, 4-pk	2,058	4.12	8,478.96
10	—	Libbey 12-oz bev, Valleybrook, 8-pc	1,494	5.59	8,351.46
11	—	Libbey 12-oz bev, Meadow, 8-pc	1,416	5.60	7,929.60
12	—	Libbey 1-oz cordial, Citation	1,986	3.99	7,924.14
13	—	Anchor Hocking 9½-oz gbt, Wxfd, 4-pk	1,410	5.57	7,853.70
14	7	Libbey 16-oz cooler, Gold Aster, 4-pk	2,796	2.76	7,716.96

Curr. $ Rank	Prev. $ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
COOKWARE					
1	—	Wear-Ever 8" chf pn, Bnty, Slvst, Alm	26,484	5.66	149,899.44
2	—	Chilton 7-pc set, Slvstn, Almond	3,209	26.68	85,616.12
3	—	Wear-Ever 10" chf pn, Bnty, Slvst, Alm	10,652	7.84	83,511.68
4	—	Wear-Ever 12" chf pn, Bnty, Slvst, Alm	8,874	9.27	82,261.98
5	—	Chilton, 11" saute pan, Slvstn, Alm	7,620	7.66	58,369.20
6	—	Wear-Ever 10½" sq gd, Bnty, Slvst, Alm	6,073	8.96	54,414.08
7	—	Wear-Ever 10" chf pn, Bnty, Slvstn, Alm	5,086	9.16	46,587.76
8	9	Gen House Granitware 18" oval rstr	5,682	7.07	40,171.74
9	—	Chilton 7⅞" saute pan, Slvstn, Alm	6,672	5.53	36,896.16
10	1	Wear-Ever 10" st pn, Premium, Slvst	3,532	9.14	32,282.48
11	7	Ekco 1" deep Baker's Scrt ckie sht	12,804	2.51	32,138.04
12	—	Chilton 11" griddle, Slvstn, Almond	4,088	7.49	30,619.12
13	—	Chilton 7½" fry pan, Slvstn, Almond	5,392	5.38	29,008.96
14	14	Ekco 9-pc bakeware set	1,794	14.66	26,300.04
GADGETS					
1	1	Rhodes timer, mini-minder	4,998	4.80	23,990.40
2	2	Swing-A-Way hand can opnr, chrome	7,692	2.77	21,306.84
3	—	Foley food mill	1,986	6.50	12,909.00
4	3	Frigidaire ice cube tray	8,880	1.37	12,165.60
5	4	Swing-A-Way hand can opnr, jr portable	8,712	1.39	12,109.68
6	7	Ekco paring knife	11,064	1.08	11,949.12
7	9	Range Kleen 6" reflector bib	5,940	1.96	11,642.40
8	10	Range Kleen 8" reflector bib	4,932	2.35	11,590.20
9	11	Ekco can opener w/bottle opener	11,748	0.91	10,690.68
10	12	E-Z Foil oven liner	7,404	1.36	10,069.44
11	—	Foley 10½" long rolling pin	2,418	4.03	9,744.54
12	14	Foley measuring cup set	2,672	3.54	9,458.88
13	—	Foley 9⅞" long rolling pin	3,372	2.67	9,003.24

(Continued on page 15)

Discount Store News

PMA®

PRODUCT MOVEMENT AUDIT

New Items Add Spice To Basics

New products such as Corning Ware's French White line and Texize's 64-oz. Yes detergent provided the leavening for the traditional everyday items that accounted for the top sellers on Myron Nickman's nonelectric housewares Product Movement Audit for 1980.

Manufacturers and retailers used the new items to stir up consumer interest in housewares by playing them up in ads and in-store promotions.

But, the continued appearance of such staples as Rhodes timers and Lustro-Ware and Fesco trash cans provided the strength that retailers wanted from housewares. This continuity enabled discounters to accurately project stock needs and sales for these basics, thereby more productively using their inventory dollars to generate the greatest return on investment.

The end result of the mix of old and new housewares was an assortment of best sellers that featured fashion in home decor-oriented areas such as tabletop, and basics in such categories as cookware and bath.

The new items tended to be more evident in the fashion area. The Strawberry design for Expressions dinnerware was No. 12 on the tabletop listing; the French White Collection was No. 4 in Corning Ware, and the Autumn Harvest pattern showed up on three Pyrex items—Nos. 2, 3 and 14.

As for the staples that reappeared on the PMA, higher movement was particularly evi-

(Continued on page 15)

Panels Will Explore Improvement of ROI

NEW YORK—The National Retail Merchants Association will hold seminars on improving ROI through automatic inventory management, here and in Chicago.

The seminars will be run in conjunction with Coopers & Lybrand, an accounting firm. Leading the seminar will be the firm's national director of retail consulting, Robert Zimmerman.

Retailers Slated

Retail participants in New York (May 4-5 at the Barbizon Plaza Hotel) will be Mervyn Weich, senior vp at Zayre, and William Stapleton, director of data processing at Allied Stores. In Chicago (May 11-12 at the O'Hare Marriott) retailers will be Joel Nudelman, vp of EDP at The Limited Stores, and David Moeller, systems development manager at Weiboldt Stores.

The cost is $225 for NRMA members and $300 for others. For registration or information, contact NRMA at 100 W. 31 St., New York, N.Y. 10001.

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$3 Consumer REBATE

$1 off on each charger, each module with batteries and each battery package:

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- At POS on the new pre-pack display.
- In new ad slicks for peak selling season co-op.

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GE Rechargeables will be featured on America's most popular nighttime TV game shows.

The NOW battery means PROFITS

General Electric is building customer loyalty to GE Rechargeable Batteries. Telling America GE has a simple, convenient alternative to throwaways. Establishing brand preference with exclusive features like our Double Charger. BE READY to profit. One West Coast mass merchandiser reported estimated annual profit per square foot averaging $11,985.* This can become even more impressive with the impact GE's complete new program is generating. GE Rechargeable Batteries. Today's profitable alternative to throwaway batteries.

- New pre-pack merchandiser displays
- A great new co-op radio jingle and ad slick program
- Multi-million impression PR campaign...and more!

We bring good things to life.

GENERAL ELECTRIC